

ADMINISTRATIVE AGREEMENT

This Agreement dated October 7, 2009, is made between MPC Products Corporation and its parent, Woodward Governor Company, and the United States Department of the Air Force. As used herein, (i) the term "MPC" shall mean MPC Products Corporation and each of its operating divisions, units and wholly-owned subsidiaries, including those acquired or established by MPC; (ii) the term "Woodward" shall mean Woodward Governor Company and each of its operating divisions and units, including those acquired or established hereafter by Woodward, but shall exclude any wholly-owned subsidiaries of Woodward; and (iii) the term "Woodward Affiliates" shall mean Woodward, MPC, and each of their operating divisions, units and wholly-owned subsidiaries.

PREAMBLE

1. MPC engineers and manufactures motors, electronics and advanced technical components for most of the commercial and military airplanes currently in service. MPC's principal place of business is Skokie, Illinois.
2. MPC has entered into a Plea Agreement with the United States Attorney for the Northern District of Illinois, set out as Exhibit 1 hereto, pursuant to which it will admit liability for and enter a conditional plea of guilty to the charge contained in an Information set out as Exhibit 2 hereto.
3. The Information states that during the period from the early 1990s to 2005, employees at MPC knowingly and intentionally submitted false "Certificates of Current Cost or Pricing Data" under the Truth in Negotiations Act, 10 U.S.C. 2306a(a)(1-2); 48 C.F.R. 15804-2(b)(2) and 4(a), to Department of Defense contracting officers in support of MPC's estimated costs of performing new work with the result that prices to the government were inflated.
4. In accordance with the terms of the Plea Agreement, MPC has also entered into a separate Civil Settlement Agreement with the United States to resolve an action pending in the United States District Court for the Northern District of Illinois, at Case No. 03C373, a copy of which is attached as Exhibit 3. MPC admits liability, and pursuant to this Agreement, has agreed to pay \$25 million to the Department of Justice to cover criminal fines, restitution, civil liability under the False Claims Act, and administrative liability in connection with the matters that are the subject of the Plea Agreement and the Civil Settlement Agreement.
5. In 2005, after the misconduct described in Exhibits 1 through 3 was discovered, MPC implemented new estimating and accounting practices and systems designed to comply with applicable government contracting laws and regulations, and also changed the organizational structure of its estimating process to remove a conflict of interest that had contributed to the earlier misconduct. In addition, MPC conducted training in ethics and compliance for all of its employees and began the implementation of an ethics and compliance program.

6. On October 1, 2008, all of MPC's outstanding stock was purchased by Woodward. Upon acquisition, Woodward initiated measures to enhance the MPC ethics and compliance program and to integrate that program into the Woodward ethics and compliance program.
7. On July 8, 2009, the Air Force suspended MPC pursuant to Federal Acquisition Regulation ("FAR") subpart 9.4.
8. After the suspension, Woodward engaged the Ethical Leadership Group ("ELG") to review the ethics and compliance program at Woodward and MPC, including the policies applicable to MPC, and to make an assessment of the ethics culture at MPC. ELG issued a report to Woodward dated August 10, 2009, a copy of which has been furnished to the Air Force. While the ELG report concluded that Woodward, including MPC, has in place the fundamental components of an effective ethics and compliance program and found a culture at MPC that stands for integrity, ELG concluded that MPC's program was not yet fully integrated into Woodward.
9. The ELG report also made a series of recommendations for enhancements to the Woodward and MPC ethics and compliance programs. Woodward has implemented a number of these recommendations and has committed to implement additional changes in accord with the provisions set out below in this Agreement.
10. Woodward has also agreed as part of this Agreement to continue remedial efforts taken by MPC, to expand or modify those efforts as may be required to meet Woodward and evolving government standards, and to complete the integration of MPC's ethics and compliance programs into Woodward's existing and expanded corporate ethics and compliance programs, including Woodward's government contracts compliance program, its training programs, and its internal audit program.
11. Woodward and MPC have expressed an interest in demonstrating that, notwithstanding the facts set out in Exhibits 1, 2 and 3, MPC can be trusted to deal fairly and honestly with the Government and that suspending or debarring MPC from future government contracting is not a necessary protection in this case. MPC has taken responsibility for its wrongdoing. In order to provide assurance to the Air Force that MPC is a responsible government contractor, MPC has severed its relationship with the executives who were identified by the government during the underlying investigation as responsible for the conduct that led to MPC's criminal conviction.
12. The Air Force, Woodward, and MPC agree that FAR 9.406 provides a basis to debar MPC based upon the conviction and the misconduct MPC committed. The Air Force has further determined, however, that based upon information currently known to the Air Force, MPC's corrective actions and the further undertakings made by Woodward and MPC in this Agreement provide adequate assurance that MPC's future dealings with the Government will be conducted responsibly and that debarment is not necessary at this time to protect the Government's interests. The parties therefore agree to the terms and conditions set out below.

ARTICLES

1. **PERIOD.** The period of this Administrative Agreement shall be three years from the date of execution of this Agreement by the Air Force, or, if the Air Force determines at any time during the three years that Woodward and MPC have ceased to be in full compliance with this Agreement, for a period of three years following reestablishment of full compliance as determined by the Air Force.

2. **EMPLOYEES.** The word employee(s) in this Agreement includes all Woodward Affiliates' directors, officers, members, permanent, temporary, and contract employees, and full-time and part-time employees, and consultants.

3. **SELF-GOVERNANCE PROGRAMS.** Woodward has implemented and agrees to maintain a values-based ethics and compliance program that includes all employees. Woodward also agrees to continue the process of integrating the MPC program into the Woodward program (the Woodward ethics and compliance program, including the MPC program, referred to herein as the "Business Ethics Program"). The Business Ethics Program shall be maintained so as to ensure that the Woodward Affiliates and each of their employees maintain the business honesty and integrity required of a Government contractor and that the Woodward Affiliates operate in strict compliance with all applicable laws, regulations, and the terms of any contract. Woodward engaged the services of Ethical Leadership Group to review the ethics and compliance program at MPC and Woodward-level policies applicable to MPC, and to make an assessment of the ethics culture at MPC. ELG issued a report to Woodward dated August 10, 2009, a copy of which has been furnished to the Air Force. The ELG report concluded that Woodward, including MPC, has in place the fundamental components of an effective ethics and compliance program. The ELG report also made a series of recommendations for enhancements in both the Woodward-level and MPC-level ethics and compliance programs. Woodward has implemented a number of these enhancements including revisions made to the Woodward Codes of Business Conduct and Ethics (revised Policy 1-14, Exhibit 4 hereto) and the Charter of the Business Conduct Oversight Committee of Woodward Governor Company (Exhibit 5), as well as the adoption of the Woodward Government Contracting Ethics Program and Policy for Reporting Violations and Dealing with Ineligible Parties (new Policy 1-16, Exhibit 6). Woodward and MPC agree to maintain and enhance the integrated Woodward and MPC Ethics and Compliance Program during the period of the Agreement. In addition, Woodward and MPC agree to make the changes recommended by ELG as set out in Attachment A hereto on or before the dates set forth therein.

4. Woodward represents that the Business Ethics Program includes the following components:

- a. **CENTRAL, HIGH-LEVEL PROGRAM MANAGEMENT.** Woodward's Vice President, General Counsel and Corporate Secretary, A. Christopher Fawzy, is designated as Woodward's Chief Compliance Officer ("CCO"). The CCO is a member of the Woodward Business Conduct Oversight Committee ("BCOC"). The CCO is responsible for managing all aspects of the Woodward Business Ethics Program. The BCOC will be constituted as set out in Exhibit 7. The BCOC will meet at least quarterly and report to the Audit Committee of the

Woodward Board of Directors regarding overall compliance with this Agreement and Woodward's Business Ethics Program.

- b. **CODE OF BUSINESS ETHICS.** As part of the Business Ethics Program ("Program") Woodward has published written Woodward Codes of Business Conduct and Ethics ("Code") and a Woodward Governor Company Government Contracting Ethics Program and Policy for Reporting Violations and Dealing with Ineligible Parties ("Policy"). Copies of the Code and Policy are Exhibits 4 and 6 to this Agreement. The Code and Policy are being provided to each employee of Woodward Affiliates. After reading the Code and Policy each such current employee will sign a certification that will be maintained by Woodward and open to inspection by the Government, that he or she has read and understood the Code and Policy. At least once in each calendar year, each then-current employee shall repeat the procedure of reading the Code and Policy and signing a certification. Within two weeks of starting employment with a Woodward Affiliate, new employees shall read the Code and Policy and sign a certification, indicating that he or she has read and understood the Code and Policy. Within such two week period the new employee's immediate supervisor or other management person shall discuss the content and requirements of the Code and Policy with the new employee.
- c. **INFORMATION AND EDUCATION PROGRAM.** Also as part of the Program, Woodward Affiliates have instituted and shall maintain an information and education program designed to assure that all employees are aware of all laws, regulations, and standards of business conduct that employees are expected to follow and the consequences both to the employee and to the company that will ensue from any violation of such measures. Training consists of at least one hour of annual compliance training and training in the Woodward Business Ethics Program for all Woodward Affiliate employees, plus at least one hour of initial training in compliance and the Woodward Business Ethics Program for every new employee. Annual ethics training shall be conducted live by Woodward Affiliate employees at each of the Woodward Affiliates' locations, and Woodward will implement computer-based or other compliance training as soon as is practicable. A schedule for the information and education program is included here as part of Attachment A and is incorporated by reference into this Agreement.
- d. **LANGUAGES.** All written materials and training related to the Business Ethics Program will be provided in English and in any other language necessary to assure that each employee understands all elements of any written or oral presentation.
- e. **REPORTING AND INFORMATION RESOURCES.** Woodward has installed a toll-free HELP-LINE, a dedicated telephone number maintained by an independent third-party for confidential calls reporting suspected misconduct or for asking questions related to business ethics or business conduct. Woodward has also instituted an on-line reporting service of suspected ethical violations, which is also maintained by a third-party vendor. Both the HELP-LINE and the on-line reporting service will be available and promoted to all Woodward Affiliate employees. In addition, Woodward has posted in prominent places

accessible to each of Woodward Affiliates' employees, including on their company intranets, a notice giving the toll-free number, inviting confidential communications, and stating the company's commitment to comply with all applicable laws and regulations in the conduct of its business. A copy of the notice is Exhibit 8 to this Agreement. Woodward will within 30 days from the date hereof post in each Woodward Affiliate facility doing business with the Department of Defense, the contact details of the Inspector General of the Department of Defense providing phone numbers to report fraud, waste, and abuse, and/or security violations.

- f. **GIFTS PROHIBITED.** Woodward has instituted and will continue to maintain a policy prohibiting all Woodward Affiliate employees from giving to any U.S. Government employee any gift, gratuity, meal, refreshment, or entertainment, other than widely-distributed commemorative items of less than \$20 value or occasional refreshments in connection with a business meeting.
- g. **INDEPENDENT REVIEW AND REPORT OF ETHICS/COMPLIANCE PROGRAMS.** Woodward will engage ELG, or a similar consulting firm acceptable to the Air Force, (a) to review the implementation of the Woodward Ethics and Compliance Program at MPC as of March 31, 2010, and to make a report to the Air Force on the status of changes and training to be accomplished by Woodward and MPC as set out in Attachment A, and (b) to report on the integrated Woodward/MPC program effective as of September 30, 2010, September 30, 2011, and July 31, 2012. Reports are to include recommendations for improvements to the Program and are to be completed and furnished to the Air Force within 45 days of the reporting dates set out in this paragraph. Within 30 days after the completion of each report, Woodward shall provide a written action plan, advising the Air Force which of the recommendations it will and will not implement, with an explanation of its decisions.

5. **PREFERRED SUPPLIER PROGRAM.** Woodward shall institute a Preferred Supplier Program within 120 days of the effective date of this Agreement. The Program shall be designed so as to in some manner reward Woodward Affiliate suppliers and subcontractors that have instituted and maintained compliance and values based ethics programs.

6. **PERFORMANCE STANDARDS.** Promotion of and adherence to the Woodward Business Ethics Program is an element of each Woodward Affiliate employee's written performance standards and each employee is appraised annually in writing on his or her adherence to and promotion of the Program. Woodward will submit, as a part of each report to the Air Force pursuant to Article 8, a statement by the Chairman of the Board of Directors that he and the CCO have verified that each Woodward Affiliate manager has been appraised on his or her adherence to and promotion of the Program.

7. **MANAGERS' CERTIFICATES.** Woodward will implement and maintain an annual certification requirement that each manager at every level in any of the Woodward Affiliates, as part of his or her employee certification referenced in paragraph 4(b) above, will attest that he or she personally has (a) discussed with each employee under his or her supervision the content and application of the Code and the Policy; (b) informed each such employee that strict adherence to the law, the Code and the Policy, and the principles of the Program is a

condition of employment; and (c) informed each such employee that Woodward will take disciplinary action, including discharge, for any violation of law, the Code, the Policy, the principles of the Program, or basic tenets of business honesty and integrity. A copy of the certificate used to fulfill this requirement will be furnished to the Air Force prior to implementation. Woodward will submit, as a part of each report to the Air Force pursuant to Article 8, a statement by the Chairman of the Board of Directors that he and the CCO have verified that the certifications are being maintained and that each manager has provided a certification as required by this provision. The certificates shall be maintained and available for the Air Force's review and inspection.

8. BOARD OF DIRECTORS RESPONSIBLE.

- a. The Board of Directors, with the assistance of its committees, shall be responsible for Woodward's Program, for maintaining and updating the Code and Policy, and for auditing Woodward's and MPC's compliance with this Agreement. The BCOC and appropriate members of management shall report to the Audit Committee of the Board of Directors in person and in writing not less than quarterly concerning the Program and compliance with this Agreement. The Nominating and Governance Committee shall review the Program, including the Code and the Policy, at least annually and shall thereafter work with the Board and management to provide any required updates.
- b. The Audit Committee shall report to the Board any concerns it may have about the operation of the Program, and the Board of Directors shall take whatever actions are appropriate and necessary to ensure that Woodward conducts its activities in compliance with the requirements of the law and sound business ethics. Woodward shall provide to the Air Force copies of the written reports made by the BCOC to the Board or its Committees and summaries of Board or Committee decisions or directions to management concerning any matters in any way related to Woodward's Business Ethics Program or this Agreement.

9. REPORTS. Each calendar quarter, the Chairman of the Board of Directors shall submit a written report to the Air Force describing the measures taken by Woodward during that quarter to implement the Program and to ensure compliance with this Agreement. The reports shall be submitted in time to be received at the Air Force within twenty days of the end of the calendar quarter. The first report is to be received by the Air Force on January 20, 2010. The final report is to be received not later than two months prior to the final day of this Agreement. The reporting dates are deadlines for receipt of the reports at Air Force Headquarters. Failure to meet these requirements on or before the dates agreed to shall constitute a breach of this Agreement. The reports shall include:

- a. Standards of conduct/ethics/compliance training conducted, subject matter covered, and the number and type of persons who attended.
- b. Informal notifications or initiatives relating to the Program.
- c. Information required by Articles 6, 7, 8, 10, 12, 13 and 14.
- d. The initiation of and status of any ongoing investigation of, or legal proceedings by (i) the U.S. Government involving any Woodward Affiliate, or (ii) any state to the extent such legal proceedings involve allegations of fraud, criminal behavior

or intentional misconduct, and in either case, including times, places, and subject matter of search warrants, subpoenas, criminal charges, criminal or civil agreements, etc.

- e. A statement that the Chairman of the Board of Directors has verified that the certifications referenced in Article 3 are being maintained and that each employee has signed a certification as required by this provision.
- f. A report identifying all reports made to the company confidential Help Line or brought to the attention of the BCOC through any other channel regarding instances of suspected misconduct during the preceding quarter. Such reports shall summarize the facts of each matter, stating the date and source (generically identified only as employee, consultant, outsider, etc.), medium of the report, the date and nature of the reported conduct, type and results of any internal investigation, corrective and/or disciplinary action and date of feedback to the source of the information. Matters pending resolution at the time of a reporting period shall be reported each quarter until final resolution of the matter is reported. If the company has received no reports, Woodward shall report that fact. For purposes of this Article, Woodward may summarize the matters reported. The complete files on each case, however, shall be made available to the Air Force upon request.
- g. A statement of any problems or weaknesses identified by the Program, corrective action proposed or initiated, and the status of any corrective action.

10. **MANAGEMENT.** The principal members of Woodward and MPC management on the date of execution of this Agreement are set out in Exhibit 9. Woodward agrees to notify the Air Force within one week if any of these principals leaves his or her current position and to provide the name of the successor to the Air Force upon appointment.

11. **LEGAL PROCEEDINGS.** Woodward and MPC represent to the Air Force that, to the best of their knowledge, MPC is not now under criminal or civil investigation by (i) any U.S. Governmental entity or (ii) any state entity to the extent any such investigation involves allegations of fraud, criminal behavior or intentional misconduct. In addition to the periodic written reports required under Article 8, Woodward shall notify the Air Force within two working days of the time Woodward's Chief Executive Officer or General Counsel learns of (a) the initiation against a Woodward Affiliate of any criminal or civil investigation by any U.S. federal, state, or local government entity involving allegations of Foreign Corrupt Practices Act, false statements, false claims, corruption, conflict of interest or anti-trust violations, or any other offenses relating to a Woodward Affiliate's business integrity, or if MPC or Woodward have reason to believe that a Woodward Affiliate is a target or subject of such investigation; (b) service of subpoenas by any such U.S. governmental entity, if MPC or Woodward have reason to believe that a Woodward Affiliate is a subject or target of the investigation; (c) service of search warrants and/or searches carried out by any U.S. government entity in any Woodward Affiliate facility; (d) initiation of legal action against Woodward Affiliate employees, or agents by any U.S. government entity alleging violations of the Foreign Corrupt Practices Act, false statements, false claims, corruption, conflict of interest, anti-trust violations or any other offenses relating to business integrity; or (e) criminal charges brought by any U.S. government entity against any Woodward Affiliate or any of its employees, or agents, relating to the business of a Woodward

Affiliate. MPC and Woodward shall provide to the Air Force as much information as necessary to allow the Air Force to determine the impact of the investigative or legal activity upon the present responsibility of the Woodward Affiliate for Government contracting.

12. **MEETING.** Between five and seven months after the effective date of this Agreement, and again six months prior to its termination, the Woodward Chief Executive Officer, the General Counsel and the President of MPC shall meet with the Air Force Deputy General Counsel for Contractor Responsibility or a designee to discuss the status of compliance with this Agreement and the implementation of the Program.

13. **BUSINESS ETHICS PROGRAM REVIEW.** As mentioned above, Woodward has engaged ELG as an independent party that is acceptable to the Air Force to perform a review of the Program. Prior to being retained by Woodward in connection with the suspension of MPC, the independent party, ELG, has had no previous business relationship with Woodward or MPC. The report prepared by ELG has been provided to the Air Force. Woodward will engage ELG, or a similar consulting firm acceptable to the Air Force, (a) to review the Program as of March 31, 2010 and to make a report to the Air Force on the status of changes and training accomplished prior to that date by Woodward and MPC as set out in Attachment A, and (b) to report on the status of the Program effective as of September 30, 2010, September 30, 2011, and July 31, 2012. Reports are to be completed and furnished to the Air Force within 45 days of the reporting dates set out in this paragraph. Within 30 days after the completion of each report, Woodward shall provide a written action plan, advising the Air Force which of the recommendations it will and will not implement, with an explanation of its decisions.

14. **SELF-GOVERNANCE PROGRAM AUDIT.** Woodward shall cause its internal audit (which as used herein, includes any third-party audit firm as may be retained by Woodward to perform that function, currently KPMG LLP), to audit MPC's operations for compliance with the Agreement and with Woodward's self-governance programs, including the Program. The audits for the Program shall be conducted annually and the results of the audits shall be furnished to the Air Force with the reports submitted pursuant to Article 8. Remaining audits related to Woodward Affiliate internal controls shall be conducted on a rotational basis in accordance with Woodward's internal audit policies and procedures.

15. **REPORTS OF MISCONDUCT.** In addition to the routine reports of misconduct required by Article 8.d., Woodward shall report to the Air Force, within 15 days of discovery by management, any suspected misconduct that management has reasonable grounds to believe may constitute a violation of U.S. criminal or civil law. The misconduct to be reported pursuant to this article includes misconduct by any person, including, but not limited to, the Woodward Affiliates, their employees and Government employees, when related to the conduct of any Woodward Affiliate's Government business, and shall include misconduct disclosed to any Woodward Affiliate from any source relating to the Woodward Affiliate's business. Woodward will investigate all reports of such misconduct that come to its attention and will notify the Air Force of the outcome of such investigations and any potential or actual impact on any aspect of any Woodward Affiliate's Government business. Woodward will take corrective action, including prompt restitution of any harm to the Government. Woodward will include summary reports of the status of each such investigation to the Air Force in the reports submitted pursuant to Article 8 until each matter is finally resolved.

16. LETTERS TO MAJOR SUPPLIERS AND MAJOR SUBCONTRACTORS.

Within 45 days of the effective date of this agreement, the Woodward Affiliates shall distribute to their major suppliers and major subcontractors a letter from the Chief Executive Officer (1) emphasizing Woodward's commitment to procurement integrity, (2) asking such suppliers and subcontractors to report to Woodward's General Counsel and Chief Compliance Officer any improper or illegal activity by its employees, (3) and informing them of the contact information for the Woodward Help Line. A similar letter will be sent to all Woodward Affiliate major suppliers and major subcontractors each year in the month of October. A copy of each year's letter shall be furnished to the Air Force pursuant to Article 8.

17. EMPLOYMENT OF SUSPENDED OR DEBARRED INDIVIDUALS.

Woodward has instituted a written policy applicable to all Woodward Affiliates stating it shall not knowingly employ, an individual who is under indictment, convicted, or listed by a Federal Agency as debarred, suspended, or otherwise ineligible for Federal programs. In order to carry out the policy, Woodward shall make reasonable inquiry into the status of any potential employee or consultant. Such reasonable inquiry shall include, at a minimum, review of the General Services Administration's (GSA) List of Parties Excluded from Federal Procurement and Nonprocurement Programs as maintained by GSA on the internet. Woodward policy does not require a Woodward Affiliate to terminate the employment of individuals who are indicted or become suspended or are proposed for debarment during their employment with such Woodward Affiliate. Woodward, however, will remove, or cause a Woodward Affiliate to remove, such employees from responsibility for or involvement with business affairs until the resolution of such suspension or proposed debarment. In addition, if any employee is charged with a criminal offense relating to business or otherwise relating to honesty and integrity, Woodward will remove or cause a Woodward Affiliate to remove that employee immediately from responsibility for or involvement with the Woodward Affiliate business affairs. If the employee is convicted or debarred, Woodward policy requires that the employee will be terminated from employment with Woodward Affiliates. Woodward shall notify the Air Force of each such personnel action taken, and the reasons therefor, within 15 days of the action.

18. BUSINESS RELATIONSHIPS WITH SUSPENDED OR DEBARRED ENTITIES. Woodward has instituted and posted on its company Intranet a written policy stating that Woodward Affiliates shall not knowingly form a contract with, purchase from, or enter into any business relationship with any individual, business entity or business entity controlled by an individual that is listed by a Federal Agency as debarred, suspended, or proposed for debarment (a copy of said policy is attached hereto as Exhibit 6). To effectuate this policy, Woodward Affiliates shall make reasonable inquiry into the status of any potential business partner, to include, at a minimum, review of the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs including the version of this list maintained by GSA on the internet. Notwithstanding any other provision of this paragraph, Woodward Affiliates may enter into a business relationship with a suspended or debarred contractor, if the Woodward General Counsel and the Woodward CEO, first determine in writing that a compelling reason justifies the action and furnishes to the Air Force Deputy General Counsel for Contractor Responsibility a copy of the determination not less than 10 days prior to Woodward entering into such a business relationship. No Woodward Affiliate shall enter into a business relationship with a suspended or debarred entity in connection with a federal procurement or grant if the Air Force objects. In addition to the provisions of this article, Woodward Affiliates shall comply with the requirements of FAR 9.405-2(b) and provide to the

Air Force Deputy General Counsel for Contractor Responsibility a copy of the documents submitted to the contracting officer pursuant thereto.

19. **FORMER EMPLOYEES.** MPC voluntarily has severed all business relationships with Joseph Caputo, Michael Norwood, Richard Blaschack, Douglas McArthur, and Wayne Penfold. Woodward Affiliates shall not employ or reemploy any of these individuals.

20. **PROPOSED CHANGES.** Woodward shall notify the Air Force of any proposed significant changes in the relevant directives, instructions, or procedures implemented in furtherance of Woodward's Business Ethics Program and compliance with this Agreement. The Air Force, or its authorized representative, retains the right to verify, approve, or disapprove any such changes. No such changes shall be implemented without the prior approval of the Air Force.

21. **ACCESS TO RECORDS AND INFORMATION.** In addition to any other right the Air Force may have by statute, regulation, or contract, the Air Force or its duly authorized representative may examine MPC's books, records, and other company documents and supporting materials for the purpose of verifying and evaluating: (a) Woodward and MPC's compliance with the terms of this Agreement; (b) MPC's business conduct in its dealings with all of its customers, including the Government; (c) MPC's compliance with Federal laws, regulations, and procurement policies and with accepted business practices; and (d) MPC's compliance with the requirements of Government contracts or subcontracts. The materials described above shall be made available by MPC at all reasonable times for inspection, audit, or reproduction. Further, for purposes of this provision, the Air Force or its authorized representative may interview any MPC employee at the employee's place of business during normal business hours or at such other place and time as may be mutually agreed between the employee and the Air Force. Employees, if they request, may be interviewed without a representative of MPC or Woodward being present. The employee may be represented personally by their own counsel or Woodward counsel if requested by the employee. In addition, the Air Force or its duly authorized representative may examine Woodward's books, records and other company documents and supporting materials for the purpose of verifying and evaluating Woodward's compliance with the terms of this Agreement.

22. **INTERNAL AUDIT OF MPC'S COST AND PRICING DEPARTMENT.**

- a. Audit of Price Proposals. Woodward internal audit shall select each quarter, on a random basis, at least one MPC price proposal that requires the submission of cost or pricing data and has been submitted or is to be submitted in response to a Government solicitation for a pre-award audit to determine whether the proposal has been prepared in accordance with MPC's internal procedures and is consistent with applicable statutory and regulatory requirements. A written report explaining the review methodology and detailing the results will be furnished to the Defense Contract Audit Agency ("DCAA") and to the Air Force within fifteen days after the review is complete.
- b. Post-Award Audits. Woodward internal audit will select every quarter, on a random basis, at least one MPC contract for a post-award audit to determine if the proposal was prepared in accordance with MPC's internal procedures and

complied with applicable statutory and regulatory requirements. A written report explaining the audit methodology and detailing the results will be furnished to DCAA and to the Air Force within fifteen days after the audit is complete. To the extent that a post-award audit discloses improper pricing, MPC shall take appropriate measures, including but not limited to promptly offering a reduction in contract price as applicable and making such other reports and taking such other actions as required by the Code, the Policy, this agreement and the FAR requirements.

- c. Access to Records. The working papers and other records relating to each such pre-award and post-award audit conducted pursuant to this Article shall be retained for the same period of time as is the cost or pricing data related to the contracts concerned. When requested by DCAA in connection with a Government pre-award or post-award audit or review of a MPC price proposal, Woodward or MPC shall immediately furnish all documents that are available. Woodward or MPC shall furnish DCAA other documents that may be requested within one working day of the request. If the documents requested cannot be provided within one working day, Woodward or MPC shall provide to DCAA a written explanation, and shall furnish the documents as soon as possible.

23. **COSTS OF REVIEW.** Woodward shall pay to the Air Force \$60,000 to cover the Air Force's costs of independently reviewing this matter and administering this Agreement.

24. **UNALLOWABLE COSTS.**

- a. Woodward agrees that all costs, as defined in FAR 31.205-47, incurred by, for, or on behalf of any Woodward Affiliate or any Woodward Affiliate current or former officer, director, agent, employee, consultant, or affiliate shall be expressly unallowable costs for Government contract accounting purposes. Unallowable costs include, but are not limited to, costs arising from, related to, or in connection with (a) the matters at issue here, (b) the Government's criminal and civil investigations regarding the matters at issue here, and (c) the Air Force's independent review of MPC's present responsibility, including the costs of Woodward and MPC submissions, presentations, and appearances before the office of the Air Force Deputy General Counsel for Contractor Responsibility. Woodward Affiliates' costs of performing and administering the terms of this Agreement and any fines or penalties levied or to be levied in or arising out of the matter at issue here are agreed to be expressly unallowable costs. Also unallowable are Woodward Affiliates' costs of bringing their self-governance, compliance, and/or ethics programs to a level acceptable to the Air Force. Woodward and MPC agree to account separately for such costs. Present and future costs of maintaining, operating, and improving Woodward Affiliates' self-governance/compliance/ethics programs are allowable costs for purposes of this Agreement.
- b. MPC agrees to treat as unallowable costs the full salary and benefits of any officer, employee, or consultant terminated from MPC's employ or removed from government contracting as a result of the wrongdoing at issue here and the cost of

any severance payments or early retirement incentive payments paid to employees released from the company as a result of the wrongdoing at issue here. For purposes of the preceding sentence, the salary and benefits costs shall include all such costs from the first instance of participation of each individual in the matters at issue here, as determined by the Air Force.

- c. Woodward and MPC recognize that in order to comply with the terms of this paragraph, certain costs may need to be reclassified. Woodward and MPC shall proceed immediately to identify and reclassify such costs and, within ninety days of the effective date of this Agreement, Woodward and MPC shall to the extent necessary to effect this Agreement adjust any bid rate, billing rate, or unsettled final indirect cost rate pools to eliminate any costs made unallowable by this Agreement, and shall advise the Air Force, the cognizant administrative contracting officer, and the cognizant Government auditor of the amount and nature of the reclassified costs within 120 days of the date of this Agreement. The Air Force or a designated representative shall have the right to audit Woodward's and MPC's books and records to verify compliance with this paragraph. Such audit rights shall be in addition to any audit rights the Government may have under the terms of any contract with Woodward and MPC.

25. **ADVERSE ACTIONS.** Woodward and MPC aver that adverse actions taken, or to be taken, by Woodward or MPC against any employee or other individual associated with MPC arising out of or related to the wrongdoing at issue here were solely the result of Woodward's or MPC's initiatives and decisions and were not the result of any action by, or on behalf of, agents or employees of the United States.

26. **NO DEBARMENT.** Provided that the terms and conditions of this Agreement are faithfully fulfilled, the Air Force will terminate the suspension of MPC and will not debar MPC based on the facts and circumstances set forth in the Civil Settlement, Information and Plea Agreement referenced in the Preamble herein. The Air Force's decision not to debar MPC upon the facts at issue here shall not restrict the Air Force or any other agency of the Government from instituting administrative actions, including, without limitation, suspension or debarment should other information indicating the propriety of such action come to the attention of the Air Force or such other agency, or additional information concerning the facts at issue here is discovered by the Government, which facts were not disclosed by Woodward or MPC or by the exercise of reasonable diligence could not have been discovered by the Government as of the date of this Agreement.

27. **PRESENT RESPONSIBILITY.** MPC's compliance with the terms and conditions of this Agreement shall constitute an element of MPC's present responsibility for Government contracting. MPC's failure to meet any of its obligations pursuant to the terms and conditions of this Agreement constitutes a separate cause for suspension and/or debarment. By entering into this Agreement, the Air Force is not determining that MPC is presently responsible for any specific Government contract.

28. **NOTIFY EMPLOYEES.** Woodward will notify all Woodward Affiliate employees of the fact and substance of this Agreement, the nature of the wrongdoing leading to this Agreement, and the importance of each employee's abiding by the terms of this Agreement and all requirements of law, regulations, and Woodward and MPC policies and procedures.

29. **PURCHASE OF BUSINESSES.** In the event that Woodward or MPC purchases or establishes new business units after the effective date of this Agreement, Woodward and MPC shall implement with respect to that business unit all provisions of this Agreement, including any training or education requirements, as soon as practicable following such purchase or establishment.

30. **RELEASE.** Woodward and MPC hereby release the United States, its instrumentalities, agents, and employees in their official and personal capacities, of any and all liability or claims arising out of or related to the investigation, criminal prosecution, or civil settlement at issue here, or the suspension, proposed debarment, or debarment of MPC or the discussions leading to this Agreement.

31. **PARAGRAPH HEADINGS.** The paragraph headings in this Agreement are inserted for convenient reference only and shall not affect the meaning or interpretation of this Agreement.

32. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which taken together, shall constitute one and the same agreement.

33. **AIR FORCE RELIANCE.** Woodward and MPC represent that all written materials and other information supplied to the Air Force by their authorized representatives during the course of discussions with the Air Force preceding this Agreement are true and accurate, to the best information and belief of the signatories to this Agreement. Woodward and MPC also represent that they have provided to the Air Force all material information in their possession relating to the facts at issue. Woodward and MPC understand that this Agreement is executed on behalf of the Air Force in reliance upon the truth, accuracy, and completeness of all such representations.

34. **ENTIRE AGREEMENT.** This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether oral or written, relating to the subject matter hereof.

35. **SALE OF WOODWARD AND MPC BUSINESSES.**

- a. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns of Woodward and/or MPC.
- b. In the event that Woodward and/or MPC, during the term of the Agreement, sells or transfers ownership of any portion of the MPC business representing more than 10% of MPC's sales, Woodward and/or MPC shall require by the terms of the transfer that the new owner, in addition to MPC, shall be bound by the terms and conditions of this Agreement as it pertains to such acquired business, including but not limited to, all reporting requirements, and an ethics program acceptable to the Air Force.
- c. In the event of a transaction as contemplated by sections (a) or (b) above, Woodward or MPC shall notify the Air Force in advance of closing of such transaction.

36. **RESTRICTION ON USE.** Neither Woodward nor MPC shall use any term of this Agreement or the fact of the existence of this Agreement for any purpose related to the prosecution or defense of, or in mitigation of any criminal, civil, or administrative investigation or action by or against any element of the Federal Government.

37. **BANKRUPTCY.** Bankruptcy proceedings shall not affect the enforcement of this Agreement in the interests of the Government.

38. **AUTHORIZED REPRESENTATIVE.** Thomas A. Gendron, Chairman and Chief Executive Officer, is fully authorized to execute this Agreement and represents that he has received all internal approvals necessary to bind Woodward. Dennis Benning, President of MPC, is fully authorized to execute this Agreement and represents that he has received all internal approvals necessary to bind MPC.

39. **SEVERABILITY.** In the event that any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect other provisions of this Agreement.

40. **NOTICES.** Any notices, reports, or information required hereunder shall be in writing and delivered or mailed by registered or certified mail, postage prepaid as follows:

If to Woodward, to: General Counsel, Woodward Governor
Company, 1000 East Drake Road, Fort Collins, Colorado 80525;

If to MPC, to: President, MPC Products Corporation, 7426 North
Linder Avenue, Skokie, Illinois 60077;

If to the Air Force, to: Deputy General Counsel for Contractor
Responsibility (SAF/GCR), Department of the Air Force, 4040
North Fairfax Drive, Suite 204, Arlington, Virginia 22203-1613

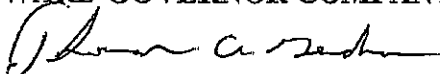
or such other address as either party shall have designated by notice in writing to the other party.

41. **PUBLIC DOCUMENT.** This Agreement, including all attachments and reports submitted pursuant to this Agreement, is a public document and may be distributed by the Air Force throughout the Government as appropriate and to other interested persons upon request.

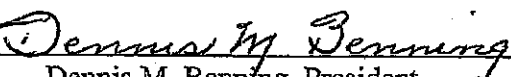
42. **APPLICABILITY.** With respect to the foreign operations of any Woodward Affiliate or any employee residing in any foreign jurisdiction, no provision of this Agreement shall be applicable to the extent inconsistent with the law of any such foreign jurisdiction. Woodward and MPC shall notify the Air Force within ten days of any such determination.

43. **MODIFICATION.** This Agreement may be amended or modified only by a written document signed by all parties.

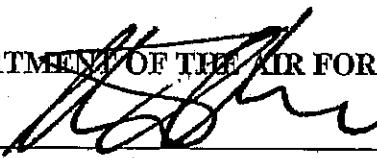
WOODWARD GOVERNOR COMPANY

By: 
Thomas A. Gendron, Chairman of the
Board, President and Chief Executive Officer

MPC PRODUCTS CORPORATION

By: 
Dennis M. Benning, President

DEPARTMENT OF THE AIR FORCE

By:  10/7/09
Steven A. Shaw, Deputy General Counsel